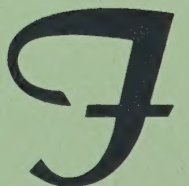


CONSOLIDATED CANADIAN FARADAY LIMITED

AR47

1975 ANNUAL REPORT



CONSOLIDATED CANADIAN FARADAY LIMITED

Directors:

W. Clarke Campbell,
Member of the firm of Day, Wilson, Campbell,
Barristers and Solicitors.

Martin P. Connell,
President and Chief Executive Officer,
Conwest Exploration Company Limited.

John Lamacraft,
Executive Vice-President and Treasurer,
Conwest Exploration Company Limited.

Jules Loeb,
General Manager, Falcon Investments Ltd.,

Howard Alfred Masson,
Mining Executive.

Randolph P. Mills,
Mining Executive.

Archibald B. Whitelaw,
Barrister and Solicitor.

Officers:

Randolph P. Mills, *Chairman of the Board.*

W. Clarke Campbell, *President.*

Martin P. Connell, *Executive Vice-President.*

John R. Bridger, *Vice-President, Operations.*

Jules Loeb, *Vice-President, Kentucky Operations.*

William M. O'Shaughnessy, *Secretary-Treasurer.*

Registrar and Transfer Agent:

Guaranty Trust Company of Canada
Toronto, Montreal, Vancouver

Co-Transfer Agent:

Bank of Montreal Trust Company
New York, N.Y.

Auditors:

Thorne Riddell & Co.
Toronto, Ontario

Head Office:

Suite 1600, 100 Adelaide Street West, Toronto, Ontario

TO THE SHAREHOLDERS

Your directors are pleased to forward a review of your Company's progress during the year 1975 and to date.

Enclosed are audited financial statements, consisting of balance sheet as of December 31, 1975, together with supporting schedules for the fiscal period ending on that date. Also enclosed are notice of annual meeting, information circular and proxy statement and form of proxy. It is hoped you and your shares will be represented at the meeting.

The year in review saw notable changes in the fortunes of your company. Consolidated net earnings were \$392,485 as compared with a loss, due primarily to operations at Dumbarton and Werner Lake, of \$2,221,624 for 1974. Profit in 1975 was the result of fees and commissions from Madawaska Mines Limited with reference to its uranium sales contract.

Mineral Operations

Madawaska Mines Limited, in which your Company has a 49% interest, is proceeding to reactivate the Bancroft property acquired from your Company. Plant reconstruction and underground redevelopment are on schedule and the start up objective of late July should be met.

The Maskwa East and West ore zones, adjacent to the Dumbarton Mines Limited property, in the Werner Lake area, were, as reported last year, the subject of an agreement with Falconbridge Nickel Mines Limited. Under this agreement your Company, from February 1, 1975, became the mining and milling contractor for Falconbridge with the latter assuming the financial risks for the operation.

Falconbridge has elected to terminate operations in June, due to exhaustion of economic material in both zones.

Surface plant facilities and townsite are therefore on a salvage basis and will be liquidated.

Petroleum and Natural Gas Interests

As of December 31, 1974, the Kentucky holdings of your Company's subsidiary, Intercontinental Energy Corporation, were transferred to a newly-formed subsidiary, I.E.C. Energy of Kentucky, Inc. Your Company's interest in Intercontinental, whose main asset then consisted of an interest in gas reserves in the Saddle Lake area of Alberta, was then disposed of for a gain of \$80,584.

Production from Kentucky holdings continued throughout the year at a reduced rate. Although price per barrel increased, high depletion charges contributed to a loss. Consideration is being given to disposal of this asset.

Modest revenues were received from your Company's interest in gas production in the Redcliffe area of Alberta.

Exploration

The holdings of Hydra Explorations Limited and Massval Mines Limited, companies in which your Company holds a substantial interest, were maintained in good standing. Relatively little exploration work was performed by these companies in the year in review.

The Company has maintained its interest in the Greenarctic Consortium. During the year the Consortium reported no significant activity.

Effective January 1, 1976, an agreement was reached with Conwest Exploration Company Limited, Chimo Gold Mines Limited and Calmor Iron Bay Mines Limited involving a three-year program of general exploration wherein your Company's participation in the group project is 25%.

The group has activities underway in New Brunswick, Quebec, Ontario, the Yukon and Northwest Territories. C. K. O'Connor, a vice-president of Conwest Exploration Company, will manage the venture with staff of six geologists

and geological engineers. The aggregate budget for the 1976 calendar year is \$1,250,000. This participation provides effective competition in the sophisticated and risky area of grassroots mineral exploration.

Your Company has also entered into an agreement with Conwest to share in the Conwest's participation in a Canadian uranium exploration joint venture.

This five year project managed by Conwest is under the technical direction of Dr. E. F. Evoy. It is funded by five equal participants, Conwest, Eldorado Nuclear Limited, Empresa Nacional Del Uranio S.A., Electrowatt Limited and Central Electricity Generating Board, with an annual budget of \$1,500,000.

Other Interests, Lines of Business

In Fort Myers, Florida, Faraday continues to operate a 51-suite apartment complex. Although revenue is modest, capital appreciation in the value of the underlying real estate could be substantial on ultimate realization.

Percentages of revenue for lines of business for each of the past two fiscal years are as follows:

	1975	1974
	%	
Mineral Operations	63	56
Oil and Gas Interests	20	14
Real Estate and Investment Income	17	30

Management Discussion, Analysis

In the years 1971 to 1974 the Company suffered severe losses. In 1972 revenue decreased as the Werner Lake mine was being phased out, resulting in a lower grade of ore and high mining costs. This mine was closed in September of that year.

In 1973 the continued decline of Dumbarton Mines Limited (50% owned by Faraday) contributed to the Company's overall loss.

In 1974 the Company endeavoured to mine and mill the Maskwa East and West ore zones but due to metallurgical problems the operation was uneconomical. Heavy development expenses to prepare these orebodies contributed to the negative picture.

In 1975 the Company enjoyed a modest profit, primarily because of the receipt of prepayments on a uranium sales contract. Madawaska Mines Limited paid to your Company a total of \$1,441,000 by way of an agency and management fee. The agency fee is non-recurring.

Price Range of Common Shares

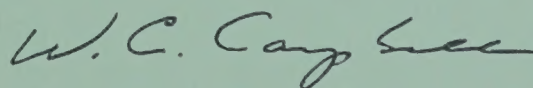
The following table shows the high and low prices of Consolidated Canadian Faraday Limited on the Toronto Stock Exchange.

	1975	1974
First Quarter	\$1.39 - .70	\$1.60 - .83
Second Quarter .	1.38 - 1.18	1.48 - .75
Third Quarter ...	2.85 - 2.15	1.20 - .60
Fourth-Quarter ..	2.95 - 2.15	1.10 - .54

For the past two fiscal years, the Company has paid no dividends on its common stock.

Copies of the Company's Form 10-K report to the Securities and Exchange Commission are available without charge upon request. Please write: Secretary, Consolidated Canadian Faraday Limited, 1600, 100 Adelaide Street West, Toronto, Ontario, M5H 1S3.

On behalf of the Board,



W. CLARKE CAMPBELL,
President.

Toronto, Ontario,
May 25, 1976.

CONSOLIDATED CANADIAN FARADAY LIMITED*(Incorporated under the laws of Ontario)*

and subsidiary companies

CONSOLIDATED BALANCE SHEET**AS AT DECEMBER 31, 1975 and 1974****ASSETS**

	1975	1974
CURRENT ASSETS		
Cash and short-term deposits	\$ 1,511,956	\$ 118,832
Accounts receivable		
Re Falconbridge Nickel Mines Limited operation (note 5)	709,520	
Other	25,843	41,317
Outstanding settlements at estimated net realizable value less advances (note 5)		591,703
Supplies and other prepaid expenses	16,595	314,174
	<u>2,263,914</u>	<u>1,066,026</u>
INVESTMENTS (notes 2 and 5)		
Shares in and advances to effectively controlled companies	305,133	405,288
Investment in other companies	300,466	522,155
	<u>605,599</u>	<u>927,443</u>
FIXED ASSETS (notes 3 and 4)		
Buildings, plant and equipment, at cost	4,236,399	10,482,332
Less accumulated depreciation	3,824,903	10,033,941
	<u>411,496</u>	<u>448,391</u>
Mining claims, rights, properties and leases, at cost (at cost less depletion of \$409,609 in 1974)	392,401	398,813
Interest in petroleum and natural gas leases, at cost less depletion	274,644	829,821
	<u>1,078,541</u>	<u>1,677,025</u>
OTHER ASSETS		
Mine equipment and supplies, at written down value (note 5)	289,529	
Advances receivable	124,660	124,660
Mortgage receivable	21,264	23,276
	<u>435,453</u>	<u>147,936</u>
	<u>\$ 4,383,507</u>	<u>\$ 3,818,430</u>

Approved by the Board:

W. C. CAMPBELL, Director.

J. C. LAMACRAFT, Director.

LIABILITIES

CURRENT LIABILITIES	1975	1974
Accounts payable and accrued liabilities		
Re Falconbridge Nickel Mines Limited operation (note 5)	\$ 685,463	
Other	223,031	\$ 888,583
	<u>908,494</u>	<u>888,583</u>
LONG-TERM DEBT		
Petroleum production and other payments (note 4)	<u>98,376</u>	<u>151,945</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Authorized — 5,000,000 shares of no par value		
Issued — 3,558,800 shares (3,421,300 shares in 1974)	6,665,997	6,459,747
CONTRIBUTED SURPLUS	<u>1,506,061</u>	<u>1,506,061</u>
	8,172,058	7,965,808
DEFICIT	<u>4,795,421</u>	<u>5,187,906</u>
	<u>3,376,637</u>	<u>2,777,902</u>
	<u>\$ 4,383,507</u>	<u>\$ 3,818,430</u>

Commitments and contingencies (note 8)

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and subsidiary companies as of December 31, 1975 and 1974 and the related consolidated statements of income, deficit and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements referred to above present fairly the financial position of the companies at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
February 19, 1976
(March 29, 1976 as to note 5)

THORNE RIDDELL & CO.
Chartered Accountants

CONSOLIDATED CANADIAN FARADAY LIMITED
and subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1975 and 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These financial statements include the accounts of the following wholly-owned subsidiary companies: Bancroft Holdings Limited, Intercontinental Energy Corporation (sold in 1975, note 4), I.E.C. Energy of Kentucky, Inc., (Incorporated 1974, note 4), Farida, Inc., and Faramines, Inc.

(b) Investments

Effectively controlled companies

These investments are valued on a basis of accounting which reflect changes in equity since January 1, 1973.

Other companies

Investments are valued at not in excess of cost.

(c) Fixed assets

Cost

(i) Buildings, plant and equipment

All buildings, plant and equipment are stated at cost.

(ii) Mining properties

Mining properties are recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

Depreciation and depletion

(i) Depreciation

The net book value of the mine assets became fully provided for in 1972 at the termination of the life of the Werner Lake orebody (note 5). The remaining net book value of the mill assets amounting to \$87,300 became fully provided for in 1974.

Other buildings, plant and equipment, consisting mainly of the Florida real estate operation of Farida, Inc., are being depreciated on a straight line basis over their estimated useful life.

(ii) Depletion

At December 31, 1975 mining claims, rights, properties and leases of \$392,401 have been deferred with the intention that they should be amortized by charges against income from future operations, and the applicable cost of participation in petroleum and natural gas projects is being amortized against related income from operations (note 4). The recovery of these costs is dependent, therefore, upon the development of economic operations.

In prior years, one of the predecessor companies did provide for depletion to the extent of \$409,609, in respect of the Bancroft (uranium) property. This property was disposed of in 1975 (see note 3).

(d) Deferred charges

Exploration and development expenditures relating to producing properties are written off as incurred. Development expenditures on non-producing properties are deferred until production commences or the property is considered to be permanently uneconomical. When production commences, these expenditures are then written off over the expected remaining life of the mine. When a property is considered to be permanently uneconomical the related development expenditures are written off.

Outside exploration is written off as incurred.

Deferred operating expenditures are written off over their expected useful life.

2. INVESTMENTS

(a) Investment in effectively controlled companies

Investments in effectively controlled companies included with investments in other companies, are valued on a basis of accounting which reflects changes in equity since January 1, 1973.

	Dumbarton Mines Limited (note 5)	Hydra Explorations Limited	Massval Mines Limited	Total
Percentage ownership	50%	36%	44%	
Balance at January 1, 1974	\$1,820,314	\$ 159,700	\$ 27,954	\$2,007,968
			(1974, 40%)	
Changes during 1974				
Acquisition of shares (net)			70,000	70,000
Share of losses	167,140	4,354		171,494
Increase in allowance for decline in value (note 2(d)) ..	17,860			17,860
Reduction of advances (net)	1,483,326			1,483,326
	<u>1,668,326</u>	<u>4,354</u>		<u>1,672,680</u>
	<u>1,668,326</u>	<u>4,354</u>	<u>(70,000)</u>	<u>1,602,680</u>
Balance at December 31, 1974	151,988	155,346	97,954	405,288
Changes during 1975				
Acquisition of shares			50,000	50,000
Share of income	24,555	1,833		26,388
	<u>176,543</u>	<u>157,179</u>	<u>147,954</u>	<u>481,676</u>
Increase in allowance for decline in value (note 2(d))	160,528			160,528
Reduction of advances (net)	16,015			16,015
	<u>176,543</u>			<u>176,543</u>
Balance at December 31, 1975	Nil	\$ 157,179	\$ 147,954	\$ 305,133

Included in the shares of Massval Mines Limited are 691,037 escrowed shares.

(b) Investment in other companies, not in excess of cost

	1975	1974
Shares in other companies (quoted market value 1975, \$99,442; 1974, \$342,183)	\$ 99,442	\$ 342,154
Shares and debenture of Madawaska Mines Limited (note 3)	21,023	
Shares of Prairie Potash Mines Limited	180,000	180,000
Convertible debentures of Henrietta Mines Limited	1	1
	<u>\$ 300,466</u>	<u>\$ 522,155</u>

Any realization on the investment in Prairie Potash Mines Limited is dependent upon successful financing and commercial exploitation of the company's potash interests.

Included in the quoted market value is \$4,100 (\$4,629 in 1974) representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

(c) Investment in companies for which there is a quoted market value includes instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

(d) Provision for decline in value of investments provided during the year is made up as follows:

	1975	1974
Dumbarton Mines Limited	\$ 160,528	\$ 17,860
Other investments	(286,444)	194,082
	<u>(125,916)</u>	<u>211,942</u>
Loss on sale of investments	283,835	4,026
	<u>\$ 157,919</u>	<u>\$ 215,968</u>

3. MADAWASKA MINES LIMITED (BANCROFT, ONTARIO)

During 1975, pursuant to the terms of an agreement with Federal Resources Corporation dated September 8, 1966, as amended, Faraday transferred its Bancroft (uranium) property to Madawaska for a 49% interest therein. Such interest consists of 490 of the 1,000 issued shares of Madawaska and a \$1,000,000 debenture payable out of net cash flow as defined in the agreement.

This investment is carried at the net book value of Faraday's Bancroft assets contributed. In prior years, depreciation of \$6,234,333 and depletion of \$409,609 had been provided in respect thereof.

During the year the company derived income from management fees and a non-recurring agency agreement with Madawaska.

4. INTEREST IN PETROLEUM AND NATURAL GAS LEASES

Details of interests held are as follows:

	1975	1974
Petroleum and natural gas leases held by Intercontinental Energy Corporation and I.E.C. Energy of Kentucky, Inc., Kentucky, U.S.A.	\$ 703,946	\$ 703,946
Less depletions	464,644	309,021
	<u>239,302</u>	<u>394,925</u>
Alberta and Saskatchewan (see below)		415,006
Participation in drilling of wells on Faraday's approximately 11% interest in certain natural gas leases in the Redcliffe area of south-eastern Alberta	37,202	19,890
Less depletion	1,860	
	<u>35,342</u>	<u>19,890</u>
	<u>\$ 274,644</u>	<u>\$ 829,821</u>
The properties held in Kentucky, U.S.A. give rise to the following liabilities:		
Petroleum production payments (to be paid out of proceeds from production) ..	\$ 98,376	\$ 145,806
Other - equipment lease-back rentals	6,139	38,084
Less portion included in current liabilities	6,139	31,945
	<u>Nil</u>	<u>6,139</u>
	<u>\$ 98,376</u>	<u>\$ 151,945</u>

On December 31, 1974 the Kentucky properties of Intercontinental Energy Corporation were sold to I.E.C. Energy of Kentucky, Inc., a newly formed subsidiary company leaving Intercontinental with assets only in Alberta and Saskatchewan. During 1975 all of the issued and outstanding shares of Intercontinental Energy Corporation were sold to an unaffiliated company for \$500,000 cash.

5. WERNER AND BIRD LAKE OPERATIONS

The economic life of the orebody of Dumbarton Mines Limited (Dumbarton) ended in December, 1974 and up to January 31, 1975 Consolidated Canadian Faraday Limited (Faraday) used the Dumbarton facility to gain access to and crush ore from an adjacent property leased by it directly from Maskwa Nickel Chrome Mines Limited (Maskwa) (a subsidiary company of Falconbridge Nickel Mines Limited) (Falconbridge). Outstanding settlements at December 31, 1974 related to both the company's production and that of Dumbarton, the latter having been assumed in partial reduction of indebtedness. Advances against outstanding settlements in the amount of \$1,132,000 and secured by a first charge on the mill assets and a first floating charge on the other assets of the company were repaid during 1975.

As of February 1, 1975, Faraday ceased mining and milling ore from the property of Maskwa for its own account and entered into a new arrangement whereby the economic risk of the operation was assumed by Falconbridge and through Dumbarton, Faraday became operator of the venture at a fixed fee based primarily on tonnage mined and milled. As part of this arrangement the milling facilities and infrastructure at Werner Lake were leased to Dumbarton with an option to purchase.

Falconbridge has given notice terminating the lease effective June 30, 1976 and as of that date all mining operations will cease.

As provided for in the agreement Faraday undertook to settle all liabilities outstanding at January 31, 1975, including any liabilities for Manitoba Mining Tax arising as a result of operations to that date. All moveable machinery, equipment and supplies of Dumbarton were transferred to Faraday at a value accepted by Maskwa and reduced the indebtedness of Dumbarton. Proceeds from any subsequent disposal of buildings, plant and fixed equipment will similarly reduce the indebtedness.

6. CAPITAL STOCK

Options on 137,500 shares at \$1.50 per share which were outstanding under incentive option plans for key officers and personnel at December 31, 1974 were exercised during 1975.

7. INCOME TAXES

The company has substantial depreciation, depletion, exploration and development expenditures available to offset otherwise taxable income.

8. COMMITMENTS AND CONTINGENCIES

(a) Agreement with Conwest Exploration Company Limited

The company participates to the extent of 25% in a mineral exploration programme conducted by Conwest for a period of three years commencing January 1, 1976, at a maximum annual cost to the company of \$375,000, subject to the company's right to elect to participate further.

(b) Guarantee

The company has guaranteed certain debts of Dumbarton Mines Limited (see note 5).

(c) Lease purchase option

Farida, Inc. leases the property on which its apartments are located on a 99 year lease expiring in 2061. The corporation has an option to purchase the leased property during 1977 for \$150,000; thereafter, it has first refusal on any sales offer received by the lessor.

9. OTHER STATUTORY INFORMATION

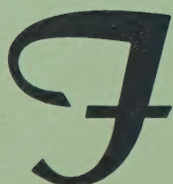
Remuneration of directors and senior officers (as defined by The Business Corporations Act) amounts to \$151,000 (\$140,000 in 1974).

10. ANTI-INFLATION ACT

Dividends are not presently being paid. However in any event under the anti-inflation legislation the company is precluded from paying a dividend prior to October 13, 1976.

SUMMARY OF OPERATIONS

	1975	1974	1973	1972	1971
Revenues	\$ 870,140	\$ 1,276,488	\$ 587,067	\$1,122,702	\$1,687,926
Operating Expenses other than below	1,559,208	2,051,739	470,569	1,518,910	1,880,524
	(689,068)	(775,251)	(116,498)	(396,208)	(192,598)
Share of losses of effectively controlled companies	(26,388)	171,494	168,079	—	—
Outside exploration	85,056	67,096	128,423	135,259	239,096
Write-down of investment in and advances to other companies ...	157,919	215,968	157,181	215,436	152,372
Development expenditures	219,944	987,315			
Cost of mining claims abandoned ...					73,086
	436,531	1,441,873	453,683	350,695	464,554
Income (loss) before undernoted items	(1,125,599)	(2,217,124)	(337,185)	(746,903)	(657,152)
Income from uranium contract agency and management fee	1,441,000				
Gain on sale of shares of subsidiary ..	80,584				
	1,521,584				
Income taxes of subsidiary	3,500	4,500	7,500		
	1,518,084	4,500	7,500		
NET INCOME (LOSS)	\$ 392,485	\$ (2,221,624)	\$ (344,685)	\$ (746,903)	\$ (657,152)
EARNINGS (LOSS) PER SHARE	\$.11	\$ (.65)	\$ (.10)	\$ (.22)	\$ (.19)
Common shares outstanding	3,558,800	3,421,300	3,421,300	3,421,300	3,421,300



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